

FISCAL NOTE

Bill #: SB484

Title: Increase retirement benefits for firefighters with 25 yrs or more of service

Primary Sponsor: Steven Gallus

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
Other (FURS Pension Trust)	(\$1,200,000)	(\$1,251,000)
Net Impact on General Fund Balance:	\$0	\$0

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This is the only benefit provision being considered. If other provisions are enacted, the cost associated with this provision may be different.
2. This fiscal note is based on the findings in the 2004 actuarial valuation and the overall funded position of the Firefighters' Unified Retirement System (FURS) as of June 30, 2004.
3. This enhancement would apply to active FURS members on the effective date (July 1, 2005) and all future members to the system.
4. If a member's years of service are 25 or more, the retirement multiplier would be enhanced from 2.50 percent per year of service to 3.00 percent per year of service.
5. Based on experience, the actuary has assumed that total salaries will increase at 4.25 percent, annually.
6. The actuarial unfunded liability increases from \$86.5 million to \$98.9 million, an increase of \$12.4 million.
7. The normal cost rate (percent of members' salaries) increases by 2.31 percent.
8. The amortization period increases from 19.0 years to 26.1 years.
9. The annual revenue required to support this provision is \$1.2 million.
10. The annual percentage of salary to fund this benefit would be 5.68 percent.

Fiscal Note Request SB484, As Introduced
(continued)

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Revenues:</u>		
Other (Firefighters' Unified Retirement System)	(\$1,200,000)	(\$1,251,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
Other (Firefighters' Unified Retirement System)	(\$1,200,000)	(\$1,251,000)

LONG-RANGE IMPACTS:

This provision increases the amortization period for the unfunded liability from 19.0 years to 26.1 years.

TECHNICAL NOTES:

1. The annual revenue required to support this provision is \$1.2 million. This revenue will come from the FURS pension trust.
2. Based on the most recent funded status of the Firefighters' Unified Retirement System, and the expectation of emerging investment losses in the future, the Board's actuary recommends that all new legislative proposals include a provision for financing the entire cost of the proposal.